OJAI BASIN GROUNDWATER MANAGEMENT AGENCY

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Ojai Basin Groundwater Management Agency
Audited Financial Statements
September 30, 2021 and 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ojai Basin Groundwater Management Agency
Ojai, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of the Ojai Basin Groundwater Management Agency (Agency) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Agency, as of September 30, 2021 and 2020, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2024, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Oxnard, California
October 29, 2024

GOVERNING BOARD OF DIRECTORS

Name	Position
Richard Hajas	President of the Board
Russ Baggerly	Vice President
Jim Finch	Board Member
Peter Thielke	Board Member
Johnny Johnston	Board Member

AGENCY PERSONNEL

John Mundy	General Manager
Roberta Barbee	Administrative Assistant

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of Ojai Basin Groundwater Management Agency (Agency) provide an introduction to the financial statements of the Agency for the fiscal years ended September 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

In fiscal year 2021, total assets increased by $87,408 or 31.8% due to a grant receivable for reimbursement of well construction costs and an increase in construction in-progress (CIP). In comparison, total assets increased by $104,135 or 61.0% during fiscal year 2020 due to increased cash resulting from the adoption of a new extraction fee implemented to defray costs for development of the Groundwater Sustainability Plan (GSP) required by the Sustainable Groundwater Management Act (SGMA) approved by the State of California in 2017.

In fiscal year 2021, total liabilities increased $54,387 or 91.6% due to increased accounts payable for professional services procured for the two projects in progress (the GSP and construction of a new groundwater monitoring well). In comparison, the prior year total liabilities increased proportionally for the same reason.

In fiscal year 2021, net position increased by $33,021 or 15.3%. The change was also due to the two projects in progress. In comparison, the Agency's net position increased by $52,526 or 32.2% during fiscal year 2020.

In fiscal year 2021, total operating revenues increased by $48,355 or 18.8%. In comparison, total operating revenues increased by $113,580 or 79.2% during fiscal year 2020. The increase both years was due to the new GSP extraction fee which took effect July 1, 2020.

In fiscal year 2021, total operating expenses increased by $129,291 or 60.7%. In comparison, total expenses increased by $106,585 or 100.2% during fiscal year 2020. The increase both years was due to professional services procured for the two projects in process.

Basic Financial Statements

This biennial report consists of a series of financial statements. The Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows provide information about the activities and performance of the Agency using accounting methods similar to those used by private sector companies. The notes that follow the financial statements provide additional information essential to a full understanding of the data provided in the financial statements.

The Statements of Net Position presents information on the Agency's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

While the Statements of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses, and Changes in Net Position presents the results of the Agency's operations over the course of the fiscal year and information as to how the net position changed during the year. This statement can be used as an indicator of the extent to which the Agency has successfully recovered its costs through extraction fees and other charges.

All changes in net position are reported during the period in which the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as delayed collection of extraction fees.

The Statements of Cash Flows presents changes in cash resulting from operational, capital financing, and investing activities. This statement summarizes the annual flow of cash receipts, cash payments, and net changes in cash, and excludes noncash transactions such as depreciation of assets.

The following is a condensed Statements of Net Position summarizing assets, liabilities, and net position for the years ended September 30, 2021, 2020, and 2019.

	2021	2020	As Restated 2019
Assets			
Current assets	$ 255,048	$ 259,765	$ 169,013
Noncurrent assets	107,133	15,008	1,625
Total assets	362,181	274,773	170,638
Liabilities	113,748	59,361	7,752
Net position	248,433	215,412	162,886
Total liabilities and net position	$ 362,181	$ 274,773	$ 170,638

The Agency's net position increased by $33,021 or 15.3% during the year ended September 30, 2021 and increased by $52,526 or 32.2% during fiscal year 2020. Total assets increased by $87,408 or 31.8% during the year ended September 30, 2021 and increased by $104,135 or 61.0% during fiscal year 2020.

The following condensed information reflects the actual revenues and expenses for the years ended September 30, 2021, 2020, and 2019 and the change in net position.

	2021	2020	As Restated 2019
Operating revenues			
Extraction fees and other revenues	$ 305,379	$ 257,024	$ 143,444
Operating expenses			
Professional fees	303,317	164,490	61,358
Payroll expenses	19,001	30,607	34,602
Other expenses	19,907	17,837	10,389
Total operating expenses	342,225	212,934	106,349
Non-operating revenues, net	69,867	8,436	106
Change in net position	$ 33,021	$ 52,526	$ 37,201

The Agency's revenues increased year-over-year due to an increase in extraction fee rates adopted to cover the costs of developing the new groundwater sustainability plan. Professional fees also increased due to the development of the groundwater sustainability plan. Lastly, non-operating revenues increased due to the unanticipated grant contract.

Budget-to-Actual Analysis

The Board of Directors adopts an annual budget each year. Performance is monitored throughout the year, comparing actual performance results to the budget. The following is a summary of actual results in comparison to the budget for the years ended September 30, 2021 and 2020.

Year ended September 30, 2021

	Actual	Budget	% Change Fav/(Unfav)
Operating revenues			
Extraction fees and other revenue	$ 305,379	$ 328,378	(7%)
Operating expenses			
Professional fees	303,317	320,400	5%
Payroll expenses	19,001	18,500	(3%)
Other expenses	19,907	15,560	(28%)
Total operating expenses	342,225	354,460	3%
Nonoperating revenue – interest income	60	105	(43%)
Capital contributions, net	69,807	-	100%
Change in net position	$ 33,021	$ (25,977)	227%

Year ended September 30, 2020

	Actual	Budget	% Change Fav/(Unfav)
Operating revenues			
Extraction fees and other revenue	$ 257,024	$ 146,000	76%
Operating expenses			
Professional fees	164,490	132,100	(25%)
Payroll expenses	30,607	41,800	27%
Other expenses	17,837	21,200	16%
Total operating expenses	212,934	195,100	(9%)
Nonoperating revenue – interest income	91	500	(82%)
Capital contributions, net	8,345	-	100%
Change in net position	$ 52,526	$ (48,600)	208%

Conditions Affecting Current Financial Position

Operating revenues are highly dependent on groundwater extractions in the basin, which in turn, are dependent on the climate (precipitation or drought, for example). Management is unaware of any other facts, decisions, or conditions which could have a significant effect on the Agency's current financial position or results of operations.

Requests for Information

This financial report is designed to provide a general overview of the Agency's financial operations and financial condition. Questions concerning any information in this report or requests for additional financial information should be addressed to the General Manager, Ojai Basin Groundwater Management Agency, P.O. Box 1779, Ojai, California 93024.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
Statements of Net Position
September 30, 2021 and 2020

		2021		2020
ASSETS				
Current assets:				
Cash	$	77,795	$	151,964
Accounts receivable, net		96,492		105,063
Grant receivable		80,761		2,738
Total current assets		255,048		259,765
Noncurrent assets:				
Capital assets, not depreciated, net		106,183		14,058
Capital assets, depreciated, net		-		-
Deposits		950		950
Total non-current assets		107,133		15,008
TOTAL ASSETS	$	362,181	$	274,773
LIABILITIES				
Accounts payable	$	112,934	$	58,608
Payroll liabilities		814		753
Total liabilities		113,748		59,361
NET POSITION				
Investment in capital assets		106,183		14,058
Unrestricted		142,250		201,354
Total net position		248,433		215,412
TOTAL LIABILITIES AND NET POSITION	$	362,181	$	274,773

See accompanying notes to financial statements.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Extraction charges	$ 102,539	$ 116,000
Extraction charges - GSP	159,566	96,978
Well head fees	40,867	39,677
Other	2,407	4,369
Total operating revenues	305,379	257,024
Operating expenses:		
Bad debt expense	4,070	1,367
Insurance	2,131	2,134
Other	3,841	1,857
Office expense	1,292	2,879
Payroll expense	19,001	30,607
Professional expense	303,317	164,490
Rent	8,573	9,600
Total operating expenses	342,225	212,934
Operating income (loss)	(36,846)	44,090
Non-operating revenues (expenses):		
Interest income	60	91
Capital contributions	78,023	8,345
Grant expense	(8,216)	-
Total non-operating revenues	69,867	8,436
Increase in net position	33,021	52,526
Net position - beginning of period	215,412	169,352
Prior period adjustments	-	(6,466)
Net position - beginning of period, as restated	215,412	162,886
Net position - end of period	$ 248,433	$ 215,412

See accompanying notes to financial statements.

OJAI BASIN GROUNDWATER MANAGEMENT AGENCY
Statements of Cash Flows
For the Years Ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Receipts from well owners/operators	$ 313,950	$ 203,397
Payments for payroll expenses	(18,940)	(31,450)
Payments for operating expenses	(268,898)	(129,875)
Net cash provided by operating activities	26,112	42,072
Cash flows from capital financing activities		
Capital contributions	-	(2,647)
Construction in-process, capital asset	(178,304)	(13,333)
Net cash used for capital financing activities	(178,304)	(15,980)
Cash flows from investing activities		
Interest income	78,023	8,345
Rent deposit	-	(50)
Net cash provided by investing activities	78,023	8,295
Net increase (decrease) in cash	(74,169)	34,387
Cash - beginning of period	151,964	117,577
Cash - end of period	$ 77,795	$ 151,964
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ (36,846)	$ 44,090
Change in operating assets and liabilities:		
Accounts receivable, net	8,571	(53,627)
Accounts payable	54,326	52,452
Payroll liabilities	61	(843)
Total adjustments	62,958	(2,018)
Net cash provided by operating activities	$ 26,112	$ 42,072

See accompanying notes to financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations of the Reporting Entity

The Ojai Basin Groundwater Management Agency (Agency or OBGMA), a special district of the State of California, was formed in 1991 pursuant to the Ojai Basin Groundwater Management Agency Act (Senate Bill 534). The Agency is responsible for managing the supply and demand and preserving the quantity and quality of groundwater in the Ojai basin for the protection and common benefit of all water users of the basin.

The Agency is governed by a five-member Board of Directors. The Board of Directors are appointed by their respective organization; one from each to represent the City of Ojai, Casitas Municipal Water District, Ojai Water Conservation District, Communities Facilities District, and one chosen to represent three mutual water companies. The Board is charged with exercising the powers of the agency which include, for example: decision-making, designation of management, approval of contracts, development of rates and fees and the Agency’s policies.

Basis of Accounting and Measurement Focus

The accounting methods and procedures adopted by the Agency conform to U.S. generally accepted accounting principles as applied to governmental enterprise funds. Accordingly, the financial statements are presented in accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" as it specifically relates to enterprise funds.

The Agency reports its activities as an enterprise fund, which means that it operates in a manner similar to a private business enterprise, where the intent of the Agency is that costs of monitoring water conditions on a continuing basis be financed or recovered primarily through extraction charges, capital grants, and similar funding. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses, such as extraction fees and rent expense, result from exchange transactions associated with the principal activity of the Agency. Exchange transactions are those in which each party receives and gives up essentially equal values. Professional services, office supplies, and depreciation are also considered operating expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Agency’s primary source of revenue is groundwater extraction charges. Extraction charges are billed quarterly, in arrears, which means that charges for water extracted during the final quarter of each fiscal year are billed during the subsequent billing cycle. As such, the majority of accounts receivable reported on the Statements of Net Position is the accrual of the fourth quarter extraction fees received after year-end. Extraction rates are established by the Board on an as-needed basis, after notice and hearing, and are subject to the terms stipulated in governing document Senate Bill 534.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. OBGMA is a limited-purpose government engaged solely in business-type activities: accordingly, activities are reported as an enterprise fund.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Agency's cash is in a single financial institution and at year-end was covered by Federal depository insurance. The Agency defines cash equivalents as highly liquid investments with original maturities of three months or less at the time of purchase. The Agency does not have any cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable include both billed and unbilled extraction fees charged to well operators in the Ojai basin. An allowance for doubtful accounts is provided for uncollectible accounts based on OBGMA's bad debt experience and on management's estimate. The Agency charges doubtful accounts arising from receivables to bad debt expense when it is probable that the accounts will be uncollectible. As of September 30, 2021 and 2020, the Agency's allowance for doubtful accounts was $5,432 and $1,367, respectively.

Capital Assets

All property, plant, and equipment acquired and/or constructed are capitalized at historical cost. Depreciation is recorded on a straight-line basis over the estimated useful life. As of the date of this report, a formal capitalization policy has not been established.

Net Position

The Agency is required to report the difference between assets and liabilities as net position. Net position is classified in the following categories:

- Investment in capital assets – This category consists of capital assets, net of accumulated depreciation and amortization, and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction, or improvement of those assets. As of September 30, 2021 and 2020, the Agency did not have any capital-related debt.

- Restricted – This category consists of net assets that have external constraints placed on them by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions of constitutional law or enabling legislation. As of September 30, 2021 and 2020, the Agency did not have restricted net position.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position (continued)

- Unrestricted – This category consists of net assets that do not meet the definition of "restricted" or "investment in capital assets".

Capital Contributions
Capital contributions represent costs of capital asset additions funded by grants.

Capital Grants
Capital grant funds are comprised of federal, state, and local government grants. These grants are typically of a cost reimbursement nature. The Agency first pays for the subject costs and then the granting agency reimburses the Agency for eligible expenses.

On October 18, 2019, the Agency entered into a grant agreement with the Ventura County Resource Conservation District (VCRCD) in which the VCRCD agreed to reimburse the Agency up to $150,600 for services performed on the Ventura Watershed Flow Enhancement and Water Resiliency Regional Framework Project, which includes the construction of a groundwater monitoring well. Please consult the grant agreement for all terms and conditions of the grant.

Compensated Absences
The Agency's staff are employed on a part-time basis and do not receive compensated absences; therefore, no liability for compensated absences exists.

Deferred Outflows/Inflows of Resources
In addition to assets and liabilities, the Statements of Net Position will sometimes report separate sections for deferred outflows or inflows of resources, respectively. These separate financial statement elements represent either a consumption or acquisition of net position that applies to future periods and will not be recognized as an outflow or inflow of resources until that time. The Agency has no items that qualify for reporting in this category.

Income Taxes
The Agency's income is exempt from taxation under the provisions of the Internal Revenue Code and related California provisions; accordingly, no income tax provision is required.

Subsequent Events
Subsequent events have been evaluated through October 29, 2024, the date the financial statements were available to be issued.

Effective October 1, 2023, the Board entered into a staffing agreement between Casitas Municipal Water District ("CMWD"; a related party) and the OBGMA. OBGMA agreed to pay CMWD for management services (one shared-staff member with independent contractor status) in exchange for a monthly fee, as outlined in the agreement. The staffing agreement is cancelable upon 30-days written notice by either party. Please refer to the agreement for additional details.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events (continued)
Effective November 30, 2023, the Board adopted Resolution 2023-05 to increase the groundwater extraction fee required to fund the costs of its groundwater sustainability program in compliance with the requirements of the Sustainable Groundwater Management Act of 2014. The groundwater extraction fee will increase as follows:

- January 1, 2024 through September 30, 2024 from $37 to $75/acre-foot
- October 1, 2024 from $75 to $100/acre-foot

Government Accounting Standards Board Statements, Not Yet Effective
GASB Statement No. 87, *Leases*
The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

This Statement is effective for fiscal years beginning after June 15, 2021 and is not expected to have a material impact on the Agency's financial statements.

NOTE 2 - CASH

The carrying amount of cash in banks was $77,795 and $151,964 as of September 30, 2021 and 2020, respectively. Corresponding bank balances were $87,829 and $161,401 as of September 30, 2021 and 2020, respectively. The net difference represents outstanding checks, deposits-in-transit, and/or other reconciling items between the financial institution's balance and the Agency's balance for each year.

The Agency does not have a policy for custodial credit risk for deposits. Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. Cash balances held in banks are insured up to $250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for doubtful accounts as of September 30 consisted of the following:

	2021	2020
Accounts receivable – extraction fees	$ 101,924	$ 106,430
Less allowance for doubtful accounts	5,432	1,367
Accounts receivable, net	$ 96,492	$ 105,063

NOTE 4 - CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended September 30, 2021 was as follows:

	Balance September 30, 2020	Additions	Disposals	Balance September 30, 2021
Non-depreciable assets:				
Construction in-process	$ 14,058	$ 92,125	$ -	$ 106,183
Total non-depreciable assets	14,058	92,125	-	106,183
Depreciable assets:				
Office Equipment	2,490	-	-	2,490
Total depreciable assets	2,490	-	-	2,490
Less Accumulated depreciation	(2,490)	-	-	(2,490)
Total depreciable assets, net	-	-	-	-
Total capital assets, net	$ 14,058	$ 92,125	$ -	$ 106,183

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balance September 30, 2019	Additions	Disposals	Balance September 30, 2020
Non-depreciable assets:				
Construction in-process	$ -	$ 14,058	$ -	$ 14,058
Total non-depreciable assets	-	14,058	-	14,058
Depreciable assets:				
Office Equipment	2,490	-	-	2,490
Total depreciable assets	2,490	-	-	2,490
Less Accumulated depreciation	(2,490)	-	-	(2,490)
Total depreciable assets, net	-	-	-	-
Total capital assets, net	$ -	$ 14,058	$ -	$ 14,058

Additions to Non-depreciable assets consists of construction in-process (CIP) for a groundwater monitoring well.

NOTE 5 - RISK MANAGEMENT

The Agency is exposed to potential losses from claims arising from its business operations. The Agency maintains insurance coverage through an independent carrier with limits of $1,000,000 per occurrence. There have been no significant reductions in insurance coverage from coverage in the prior year.

NOTE 6 – SUSTAINABLE GROUNDWATER MANAGEMENT ACT

The Sustainable Groundwater Management Act (SGMA) was approved by the State of California in 2017 to provide a framework to help protect groundwater resources. Under the requirements of the law, the Agency is required to develop and adopt a groundwater sustainability plan (GSP). The Agency's GSP was approved by the California Department of Water Resources in October 2023. The Agency continues to work on compliance with the SGMA and has engaged outside consultants to assist in that endeavor.

NOTE 7 – CONCENTRATIONS

Major Customers
The Agency has one major customer, Casitas Municipal Water District, whose water extraction charges represent a significant portion of total operating revenue. Revenue from this well operator represented approximately 24% and 25% of total operating revenue during the years ended September 30, 2021 and 2020, respectively.

NOTE 8 - RELATED PARTIES

During the years ended September 30, 2021 and 2020, the Agency collected extraction fees from two of the Agency's Board of Directors. The extraction rates and fees paid by the members of the Board of Directors are the same extraction rates and fees paid by all customers of the Agency.

NOTE 9 – LEASES

The Agency entered into a month-to-month, short-term lease for commercial office space in May 2018. Rent has remained fixed at $800 per month, or $9,600 per year, since inception of the lease.

Sublease Arrangements
The Agency entered into an informal office and storage space sharing agreement with related-party Ojai Water Conservation District (OWCD) effective January 2021. Per this verbal, "short-term", and cancelable agreement, the OWCD will pay the Agency $1,200 once-annually for shared office space and $630 once-annually for shared storage space. Sublease income is included in Rent expense on the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

NOTE 10 - COMMITMENTS & CONTINGENCIES

Grant Funds
Grant funds received by the Agency are subject to audit by the grantor agencies. Such audit could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grant. Management of the Agency believes that such disallowances, if any, would not be significant.

NOTE 10 - COMMITMENTS & CONTINGENCIES (CONTINUED)

Litigation
In the ordinary course of operations, the Agency is subject to claims and litigation from outside parties.

Ventura River Watershed Adjudication
The Agency is not a party to ongoing litigation that claim rights to take and beneficially use waters of the Ventura River Watershed, but the Agency has been following the litigation as a matter of interest. OBGMA does not fall within this class of persons and was not named as a party to the lawsuit. Nevertheless, the Agency is a management entity with statutory responsibility for ensuring the health and sustainability of the Ojai Valley Groundwater Basin ("Ojai Basin"), which serves as a critically important hydrologic component of the larger Ventura River Watershed. The Agency thus has an interest in the final outcome of the adjudication process, which invariably will result in a final court judgment and physical solution governing the rights and duties of parties which rely on the Ojai Basin for water supply. Moreover, the Agency may have a direct role to play as a management entity with responsibilities assigned to it by the court under the final judgment and physical solution. As such, the Agency has been monitoring the litigation and may decide to voluntarily intervene in the litigation and join as a party in the future, if it appears its involvement may be necessary or beneficial.

Asset Retirement Obligations
A groundwater monitoring well, with an expected useful service life of approximately 30 years, was constructed during 2021 to expand monitoring of water conditions in the Ojai basin. The County of Ventura Well Permit No. GWP-08557 requires destruction of the well upon completion of the monitoring program. The County's requirement to deconstruct the well triggers recognition of an asset retirement obligation. An asset retirement obligation (ARO) is a legally enforceable liability associated with the future retirement of a tangible capital asset. The process to deconstruct the well and restore the land requires the OBGMA to obtain a separate well destruction permit, remove the concrete lid encasement, withdraw the pvc, and refill the hole with soil. The Agency has determined that the estimated cost to deconstruct the well and restore the land to its original condition is insignificant and has elected not to recognize an ARO liability and corresponding deferred outflow of resources.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to restate the opening net position balance to decrease accounts receivable for an erroneous overstatement and increase construction in-process as of October 1, 2019. Accordingly, the restatement has been made to adjust the following balances:

Net position at September 30, 2019	$	169,352
Effect of adjustment to Accounts receivable		(7,191)
Effect of adjustment to Construction in-process		725
Net position at September 30, 2019, as restated		162,886
Change in net position, at September 30, 2020		52,526
Net position at September 30, 2020	S	215,412

FARBER HASS HURLEY LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Ojai Basin Groundwater Management Agency

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Ojai Basin Groundwater Management Agency (Agency) as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated October 29, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fechter Kim Henley LLP

Oxnard, California
October 29, 2024